

Acceleware Ltd.

Condensed Interim Financial Statements (Unaudited) For the Six Months Ended June 30, 2021 and 2020

(in Canadian dollars)

Acceleware Ltd.

Condensed Interim Financial Statements For the Six Months Ended June 30, 2021 and 2020 (in Canadian dollars)

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Acceleware Ltd.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Acceleware Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Acceleware Ltd.

Condensed Statements of Financial Position (Unaudited) (in Canadian dollars)

As at:

	June 30, 2021	December 31, 2020
Assets		
Current		
Cash and cash equivalents	\$ 3,255,203	\$ 1,942,014
Trade and other receivables (note 6)	1,416,372	1,206,962
Deposits and prepaid expenses	421,708	532,428
	5,093,283	3,681,404
Non-current		
Property and equipment	42,122	17,672
Right of use assets	133,022	155,974
Total assets	\$ 5,268,427	\$ 3,855,050
Liabilities and Equity		
Current		
Accounts payable and accrued liabilities	\$ 1,289,194	\$ 1,006,093
Deferred government assistance for R&D (note 6)	3,891,633	2,428,199
Contract liabilities	116,762	164,178
Lease obligations (note 5)	40,163	54,004
	5,337,752	3,652,474
Non-current		
Deferred Revenue (note 8a)	1,650,000	750,000
Lease obligations (note 5)	106,889	119,928
Total liabilities	7,094,641	4,522,402
Shareholders' Equity		
Share capital (note 7a)	22,430,916	22,380,890
Reserves (note 7b)	8,043,189	8,030,670
Deficit	(32,300,319)	(31,078,912)
Total shareholders' equity	(1,826,214)	(667,352)
Total liabilities and shareholders' equity	\$ 5,268,427	\$ 3,855,050

Going concern (note 3) and Subsequent event (note 8a)

Approved on behalf of the Board:

"signed"

Bohdan Romaniuk, Director

"signed"

Geoff Clark, Director

The accompanying notes are an integral part of these financial statements.

Acceleware Ltd.

Condensed Statements of Comprehensive Loss (Unaudited)

(in Canadian dollars)

For the:	Three months ended June 30, 2021 (unaudited)	Three months ended June 30, 2020 (unaudited)	Six months ended June 30, 2021 (unaudited)	Six months ended June 30, 2020 (unaudited)
Revenue (note 8)	\$ 97,408	\$ 611,712	\$ 368,514	\$ 694,715
Expenses				
Cost of revenue	5,807	—	19,282	—
General and administrative	386,807	453,763	810,036	916,985
Research and development	401,978	127,605	727,619	457,222
	794,592	581,368	1,556,937	1,374,207
(Loss) income from operations	(697,184)	30,344	(1,188,423)	(679,492)
Finance (expense) income	(5,411)	933	(3,907)	14,434
Foreign exchange (loss) gain	(19,037)	(81,986)	(29,077)	149,031
	(24,448)	(81,053)	(32,984)	163,465
Total comprehensive loss for the period attributable to shareholders	\$ (721,632)	\$ (50,709)	\$ (1,221,407)	\$ (516,027)
Loss per share				
Basic and diluted	\$ (0.007)	\$ (0.001)	\$ (0.012)	\$ (0.005)
Weighted average shares outstanding	105,744,556	105,506,670	105,780,042	105,403,401

The accompanying notes are an integral part of these financial statements.

Acceleware Ltd.

Statements of Changes in Shareholders' Equity (Unaudited) (in Canadian dollars)

	Share capital				Contributed surplus	Deficit	Total shareholders' equity	
	Common shares	Amount		Amount				
Balance at December 31, 2019	#	104,611,670	\$	22,270,968	\$	7,855,034	\$ (28,979,259)	\$ 1,146,743
Total comprehensive loss		—		—		—	(516,027)	(516,027)
Exercise of stock options for cash (note 7a)		895,000		44,750		—	—	44,750
Share-based payments								
Current period expense (note 7b)		—		—		123,007	—	123,007
Stock options exercised (note 7a)		—		23,897		(23,897)	—	—
Balance at June 30, 2020	#	105,506,670	\$	22,339,615	\$	7,954,144	\$ (29,495,286)	\$ 798,473
Balance at December 31, 2020	#	105,669,170	\$	22,380,890	\$	8,030,670	\$ (31,078,912)	\$ (667,352)
Total comprehensive loss		—		—		—	(1,221,407)	(1,221,407)
Exercise of stock options for cash (note 7a)		123,334		25,400		—	—	25,400
Share-based payments								
Current period expense (note 7b)		—		—		37,145	—	37,145
Stock options exercised (note 7a)		—		24,626		(24,626)	—	—
Balance at June 30, 2021	#	105,792,504	\$	22,430,916	\$	8,043,189	\$ (32,300,319)	\$ (1,826,214)

The accompanying notes are an integral part of these financial statements.

Acceleware Ltd.

Condensed Statements of Cash Flows (Unaudited) (in Canadian dollars)

For the:

	Three months ended June 30, 2021 (unaudited)	Three months ended June 30, 2020 (unaudited)	Six months ended June 30, 2021 (unaudited)	Six months ended June 30, 2020 (unaudited)
Cash flows from (used for) operating activities				
Comprehensive loss before tax	\$ (721,632)	\$ (50,709)	\$ (1,221,407)	\$ (516,027)
Items not involving cash:				
Amortization	14,207	36,249	27,123	87,146
Share-based payments (<i>note 7b</i>)	12,814	56,125	37,145	123,007
Interest payments on lease obligations (<i>note 5</i>)	2,937	1,079	4,224	2,820
Changes in non-cash working capital items				
Trade and other receivables	(213,969)	(188,902)	(209,410)	171,991
Contract Assets	(8,925)	(29,596)	(22,803)	(34,001)
Deposits and prepaid expenses	(125,899)	(62,507)	133,523	(38,233)
Accounts payable and accrued liabilities	99,731	(820,373)	283,100	(444,884)
Deferred government assistance	494,301	(314,759)	1,463,434	(488,614)
Contract liabilities	(21,010)	(142,763)	(47,415)	(11,307)
Deferred revenue	—	300,000	900,000	300,000
	(467,445)	(1,216,156)	1,347,514	(848,102)
Cash flows from financing activities				
Issuance of common shares (<i>note 7a</i>)	9,000	—	25,400	44,750
Interest payments on lease obligations (<i>note 5</i>)	(2,937)	(1,079)	(4,224)	(2,820)
Principal payments on lease obligations (<i>note 5</i>)	(14,502)	(26,189)	(27,110)	(70,012)
	(8,439)	(27,268)	(5,934)	(28,082)
Cash flows from investing activities				
Purchase of property and equipment	(28,391)	—	(28,391)	—
	(28,391)	—	(28,391)	—
Increase (decrease) in cash and cash equivalents	(504,275)	(1,243,424)	1,313,189	(876,184)
Cash and cash equivalents, beginning of period	3,759,478	4,748,434	1,942,014	4,381,194
Cash and cash equivalents, end of period	\$ 3,255,203	\$ 3,505,010	\$ 3,255,203	\$ 3,505,010
Comprised of:				
Cash on hand	\$ 3,235,411	\$ 1,780,194	\$ 3,235,411	\$ 1,780,194
Cash equivalents	19,792	1,724,816	19,792	1,724,816
	\$ 3,255,203	\$ 3,505,010	\$ 3,255,203	\$ 3,505,010

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Notes to Condensed Interim Financial Statements

June 30, 2021 and 2020

(in Canadian dollars)

1. General information

Acceleware Ltd. (the “Company” or “Acceleware”) is a clean-tech oil and gas technology company based in Calgary, Alberta. The Company is developing an enhanced heavy oil and oil sands production technology based on radio frequency (“RF”) heating that is designed to reduce the environmental impact of oil production while also reducing cost. Acceleware also specializes in the development and marketing of special purpose computational software products for the oil and gas and other markets. The Company is incorporated under the Alberta Business Corporations Act, has its registered offices at 1400, 350 - 7th Avenue SW, Calgary, Alberta, Canada, and trades on the TSX Venture Exchange under the symbol AXE.

2. Basis of presentation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed interim financial statements, including International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) and have been prepared following the same accounting policies and method of computation as the annual financial statements for the year ended December 31, 2020. The disclosures provided below are incremental to those included with the annual financial statements. Certain information and disclosures normally included in the notes to the annual financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on August 24, 2021.

(b) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss which are measured at fair value with changes in fair value recorded in earnings, and share-based payment transactions. The method used to measure fair values is discussed in note 4(i) and 4(k) to the annual financial statements for the year ended December 31, 2020.

(d) Significant accounting assumptions, estimates and judgements

The preparation of financial statements requires the Company’s management (“Management”) to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements. Judgement is used in situations where there is a choice or assessment required by Management. Estimates and underlying assumptions are required on an ongoing basis and revisions are recognized in the year in which such estimates are revised.

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Notes to Condensed Interim Financial Statements

June 30, 2021 and 2020

(in Canadian dollars)

2. Basis of Presentation (cont'd)

(d) Significant accounting assumptions, estimates and judgements (cont'd)

Since March 10, 2020, when the novel coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization, COVID-19 has had an impact on the global economy, including the oil and gas industry. The Company has taken into account the impacts of COVID-19 and the unique circumstances it has created in making estimates, assumptions and judgements in the preparation of the unaudited interim consolidated financial statements. Actual results may differ from estimated amounts, and those differences may be material.

3. Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has a deficit balance of \$32,300,319 (December 31, 2020 - \$31,078,912) and net loss of \$1,221,407 for the six months ended June 30, 2021 (six months ended June 30, 2020 - \$516,027) largely due to investments in new product development and in the penetration of new markets. In particular, the Company invested \$727,619 net of government assistance of \$2,701,413 for the six months ended June 30, 2021 (six months ended June 30, 2020 - \$457,222 net of government assistance of \$738,614), in research and development, principally for the Company's proprietary RF heating technology ("RF XL" or "RF heating"). These factors indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The Company actively manages its cash flow and investment in new products to match its cash generated from operations including government assistance. In order to maximize cash generated from operations, the Company plans to focus on high gross margin revenue streams such as software and RF heating services; focus on selected core vertical markets; minimize operating expenses where possible; and limit capital expenditure. As the Company continues to develop its RF heating technology, new research and development investments will be financed through a combination of internal cash flow from the high-performance computing software business, government assistance, industry partners and external financing. Management believes that successful execution of its business plan will result in sufficient cash flow and new financing to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available. Further, if the Company's operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months.

Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, and reducing sales, marketing and general and administrative expenses, while seeking outside financing. The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company's financial position, results of financial performance and cash flows.

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Notes to Condensed Interim Financial Statements

June 30, 2021 and 2020

(in Canadian dollars)

3. Going concern (cont'd)

The ability of the Company to continue as a going concern is dependent upon successful execution of its plans noted above. The outcome of these initiatives cannot be predicted at this time. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern for a reasonable period of time.

4. Significant accounting policies

The significant accounting policies used in the preparation of these condensed interim financial statements are unchanged from those disclosed in the Company's financial statements for the year ended December 31, 2020.

5. Contractual long-term commitments

On October 1, 2020, Acceleware entered into a new lease agreement to lease 5,244 square feet of office space for a period of five years, ending on September 30, 2025. The previous lease had expired July 31, 2020 and the premises were leased on a month-to-month basis until September 30, 2020 on the same terms. In addition to the basic monthly rents, the Company must pay a proportionate share of property taxes, operating costs, utilities and additional services. These payments are fixed throughout the year with an annual true up and are excluded from lease payments below. The Company has certain computer equipment under various leases expiring 2021 through 2023. The leases carry a weighted average annual interest rate of 3.6%.

The following table summarizes the undiscounted contractual cash flows:

	June 30, 2021	December 31, 2020
2021	\$ 30,577	\$ 66,332
2022	38,686	38,686
2023	38,686	38,686
2024	36,000	36,000
2025	27,000	27,000
Minimum lease payments	170,949	206,704
Less: interest portion at a rate of 7.9% (2020 – 7.8%)	23,658	28,155
Net minimum lease payments	\$ 147,291	\$ 178,549

Variable lease payments for operating costs not included in the above table are approximately \$60,000 per year (December 31, 2020 - \$60,000 per year).

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Notes to Condensed Interim Financial Statements

June 30, 2021 and 2020

(in Canadian dollars)

6. Government assistance

In 2018 the Company entered into contribution agreements with Sustainable Development Technology Canada (“SDTC”) and Emissions Reduction Alberta (“ERA”) to provide \$10 million of non-dilutive and non-repayable funding for the commercial-scale pilot test of the RF XL technology. In response to the global pandemic, SDTC contributed an additional \$262,500 during the three months ended March 31, 2021 and an additional \$250,000 during the three months ended March 31, 2020 bringing the total committed contribution to \$10,512,500 as at June 30, 2021. Under the terms of the agreements, SDTC and ERA provide milestone-based funding at the beginning of a milestone. During the three months ended June 30, 2021, the Company received \$1,902,347 from ERA less a holdback receivable of \$285,352 (three months ended June 30, 2020 - \$nil).

Effective January 1, 2021, Acceleware entered into an investment agreement with Alberta Innovates to provide up to \$5 million of non-dilutive and non-repayable funding for the commercial-scale pilot test of the RF XL technology. The Company received the first milestone payment of \$2 million during the three months ended March 31, 2021 with the remainder of the funds to be distributed at designated milestones over the course of the project. There were no payments received during the three months ended June 30, 2021.

The following table provides a continuity of amounts recorded on the statement of financial position within current liabilities as deferred government assistance for R&D:

	June 30, 2021	December 31, 2020
Balance, as at beginning of the year	\$ 2,428,199	\$ 3,678,473
Milestone payments received year to date	3,879,495	250,000
Holdback receivable	285,352	—
Recognized as an offset to R&D expense year to date	(2,701,413)	(1,500,274)
	\$ 3,891,633	\$ 2,428,199

The remaining amount committed but not yet received from SDTC, ERA and Alberta Innovates, including holdback receivable, is \$5,620,602 (December 31, 2020 - \$4,237,597). Holdbacks receivable, included in trade and other receivables, as at June 30, 2021 are \$1,252,596 (December 31, 2020 - \$967,244). Total project costs incurred since inception for the commercial-scale pilot test as at June 30, 2021 are approximately \$11,211,000 (Inception to December 31, 2020 - approximately \$7,640,000).

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy (“CEWS”) program in April 2020, retroactive to March 15, 2020. CEWS provides a wage subsidy to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. The Company has determined that it has qualified for this subsidy from March 15, 2020 through June 30, 2021 and has, accordingly, applied for, and for certain periods received, the CEWS. The Company also intends to apply for the CEWS in subsequent application periods for which it is available, subject to continuing to meet the applicable qualification criteria.

For the three and six months ended June 30, 2021, the Company has recognized \$54,903 (three and six months ended June 30, 2020 - \$106,907) from the CEWS program and has recorded it as a reduction to salaries and wages in general and administrative and research and development expenses. Since inception, and as of June 30, 2021, the Company has received \$408,932 from the CEWS program (June 30, 2020 - \$106,907)

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

June 30, 2021 and 2020

(in Canadian dollars)

7. Share capital and other components of shareholders' equity

(a) Share capital

The authorized share capital of the Company consists of an unlimited number of common shares, and unlimited number of first preferred shares, of which conditions are to be determined; and an unlimited number of second preferred shares, of which conditions are to be determined.

During the six months ended June 30, 2021, 123,334 stock options (six months ended June 30, 2020 – 895,000) were exercised for cash proceeds of \$25,400 (six months ended June 30, 2020 - \$44,750). Non-cash compensation charges of \$24,626 (six months ended June 30, 2020 - \$23,897) were reclassified from contributed surplus to share capital on the exercise of these options.

(b) Share-based payments

At June 30, 2021, the Company had one equity-settled share-based compensation plan. The Company accounts for options granted under this plan in accordance with the fair value method of accounting for share-based compensation. The estimated fair value of the options that are ultimately expected to vest is recorded over the options' vesting period and charged to share-based compensation expenses.

On May 31, 2021, the Company granted stock options to acquire up to 140,000 common shares of the Company to certain employees and directors. The options have an exercise price of \$0.30 per common share and expire on May 31, 2026. Of the 140,000 options granted, 70,000 shall vest on the first anniversary of the grant date and 70,000 shall vest on the second anniversary of the grant date.

The weighted average grant date fair value of the stock options granted during 2021 was estimated to be \$0.28 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 166%, a risk-free interest rate of 0.91%, expected dividend yield of nil%, expected forfeiture rate of 1.43% and expected life of five years. The expected volatility was determined by calculating the historical volatility of the Company's common share price from the date of grant back to the date five years prior to the date of grant. The estimated fair value of each tranche of options not immediately vesting is amortized to share-based payments over the option vesting period on a straight-line basis.

During the six months ended June 30, 2020, the Company granted stock options to acquire up to 1,662,466 common shares of the Company to certain employees, officers and directors. The options have a weighted average exercise price of \$0.10 per common share and expire five years from the date of grant. Of the 1,662,466 options granted, 682,500 shall vest on the first anniversary of the grant date, 682,500 shall vest on the second anniversary of the grant date, 148,733 shall vest when the share price of the common shares of the Company closes at or above \$0.125 for ten consecutive trading days, and 148,733 shall vest when the share price of the common shares of the Company closes at or above \$0.15 for ten consecutive trading days.

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Notes to Condensed Interim Financial Statements

June 30, 2021 and 2020

(in Canadian dollars)

7. Share capital and other components of shareholders' equity (cont'd)

(b) Share-based payments (cont'd)

The weighted average grant date fair value of the stock options granted during 2020 was estimated to be \$0.10 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 170%, a risk-free interest rate of 1.30%, expected dividend yield of nil%, expected forfeiture rate of 1.47% and expected life of five years. The expected volatility was determined by calculating the historical volatility of the Company's common share price from the date of grant back to the date five years prior to the date of grant. The estimated fair value of each tranche of options not immediately vesting is amortized to share-based payments over the option vesting period on a straight-line basis. For options that had vesting conditions based on the closing price of the Company's common shares, the vesting period was estimated using a binomial option pricing simulation based on the following weighted average assumptions: expected volatility of 171%, a risk-free interest rate of 1.43%, expected dividend yield of nil%, expected forfeiture rate of 1.6% and expected life of five years.

Total share-based payment expenses for the three months ended June 30, 2021 were \$11,976 relating to general and administrative (three months ended June 30, 2020 - \$42,233) and \$838 relating to research and development (three months ended June 30, 2020 - \$13,892) for a total of \$12,814 (three months ended June 30, 2020 - \$56,125).

Total share-based payment expenses for the six months ended June 30, 2021 were \$32,528 relating to general and administrative (six months ended June 30, 2020 - \$88,586) and \$4,617 relating to research and development (six months ended June 30, 2020 - \$34,421) for a total of \$37,145 (six months ended June 30, 2020 - \$123,007).

The changes to the number of options outstanding and their weighted average exercise price are as follows:

	Number	Weighted Average Exercise Price
Balance, December 31, 2020	10,010,868	\$ 0.17
Granted	140,000	0.30
Exercised	(123,334)	0.21
Balance, June 30, 2021	10,027,534	\$ 0.18

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Notes to Condensed Interim Financial Statements

June 30, 2021 and 2020

(in Canadian dollars)

(b) Share-based payments (cont'd)

Summary of options outstanding and exercisable as at June 30, 2021 is as follows:

Exercise price outstanding	Grant Date	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
\$0.10	January 23, 2020	1,402,466	3.57	\$0.10	849,966
\$0.12	September 11, 2019	550,000	3.20	0.12	500,000
\$0.13	January 31, 2019	2,606,066	2.59	0.13	2,606,066
\$0.135	June 22, 2020	200,000	3.98	0.135	100,000
\$0.15	August 30, 2016	917,836	0.15	0.15	917,836
\$0.20	October 25, 2018	320,000	2.32	0.20	320,000
\$0.21	February 22, 2017	2,489,632	0.65	0.21	2,489,632
\$0.30	January 24, 2018	1,401,534	1.57	0.30	965,000
\$0.30	May 31, 2021	140,000	4.92	0.30	—
		10,027,534	1.96	\$0.17	8,748,500

(c) Earnings per share

The calculation of weighted average shares outstanding for the diluted loss per share calculation excludes the impact of the options outstanding as at June 30, 2021 and 2020 as the effect is anti-dilutive.

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Notes to Condensed Interim Financial Statements

June 30, 2021 and 2020

(in Canadian dollars)

8. Revenue

The Company sub-classifies revenue within the following components: software revenue, maintenance revenue, services revenue and data revenue. The following table shows the breakdown of revenue:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Software	\$ 14,565	\$ 569,300	\$ 125,900	\$ 606,132
Maintenance	64,184	42,412	223,955	88,583
Services	18,659	—	18,659	—
	\$ 97,408	\$ 611,712	\$ 368,514	\$ 694,715

(a) Data revenue

In 2018, the Company entered into a Project Funding Agreement with a major oil-sands producer, the terms of which provide the customer with the right to access and use data obtained from the commercial-scale pilot of RF XL technology Acceleware is conducting at Marwayne, Alberta. Under the terms of the agreement, Acceleware will receive total funding of up to \$2,000,000, paid in non-refundable installments upon completion of milestones.

In December 2020, the Company entered into a Test Data Purchase Agreement with a second major oil sands producer for the right to access and use data obtained from the Marwayne pilot of RF XL technology. Under the terms of the agreement, Acceleware will receive total funding of up to \$2,000,000, paid in non-refundable installments upon completion of milestones.

Under *IFRS 15 Revenue from Contracts with Customers*, these contracts do not meet all requirements for revenue recognition over-time, therefore revenue recognition defaults to the end of the contract. As at June 30, 2021, deferred revenue of \$1,650,000 (December 31, 2020 - \$750,000) has been recorded under these contracts for amounts that have been received in cash, and will be recognized as revenue once heating is complete or the contract is terminated, whichever is earlier.

Effective July 5, 2021, a second Test Data Purchase Agreement was signed with a third major oil-sands producer, the terms of which provide the customers with the right to access and use data obtained from the Marwayne pilot of RF XL technology. Under the terms of the agreement, Acceleware will receive total funding of up to \$2,000,000, paid in non-refundable installments upon completion of milestones.

(b) Major Customers

The Company derived significant revenues from three major customers each of which exceeded 10% of total revenues for the three months ended June 30, 2021. Revenue from these customers was \$68,079 at June 30, 2021 (June 30, 2020 – two major customers for a total revenue of \$439,356).

The Company derived significant revenues from two major customers each of which exceeded 10% of total revenues for the six months ended June 30, 2021. Revenue from these customers was \$160,839 at June 30, 2021 (June 30, 2020 – two major customers for a total revenue of \$640,370).

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(in Canadian dollars)

9. Operating segments

The Company has two operating segments, referred to as “High-Performance Computing” (“HPC”) and “RF Heating”. The operating segments are reportable segments in accordance with IFRS 8 Operating Segments. The Company’s HPC segment sells proprietary high-performance computing software and related consulting services and training programs primarily to the oil and gas industry. The RF Heating segment is engaged in research, development, and commercialization activities related to the Company’s proprietary enhanced heavy oil and oil sands production technology.

Expenses associated with corporate support functions are allocated to the Company’s segments based on the segment’s percentage of total labour expenses for the allocation period. All intersegment transactions between the HPC and RF Heating segments have been eliminated.

For the three months ended June 30, 2021

		RF Heating	HPC	Total
Revenue	\$	—	97,408	97,408
Expenses				
Cost of Revenue		—	5,807	5,807
General and administrative		286,453	100,354	386,807
Research and development		389,031	12,947	401,978
		675,484	119,108	794,592
(Loss) income from operations		(675,484)	(21,700)	(697,184)

For the three months ended June 30, 2020

		RF Heating	HPC	Total
Revenue	\$	—	611,712	611,712
Expenses				
Cost of revenue		—	—	—
General and administrative		328,434	125,329	453,763
Research and development		98,619	28,986	127,605
		427,053	154,315	581,368
(Loss) income from operations		(427,053)	457,397	30,344

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

June 30, 2021 and 2020

(in Canadian dollars)

9. Operating segments (cont'd)

For the six months ended June 30, 2021

	RF Heating		HPC		Total
Revenue	\$	85,000	\$	283,514	\$ 368,514
Expenses					
Cost of revenue		13,475		5,807	19,282
General and administrative		565,857		244,179	810,036
Research and development		714,672		12,947	727,619
		1,294,004		262,933	1,556,937
(Loss) income from operations	\$	(1,209,004)	\$	20,581	\$ (1,188,423)

For the six months ended June 30, 2020

	RF Heating		HPC		Total
Revenue	\$	—	\$	694,715	\$ 694,715
Expenses					
Cost of revenue		—		—	—
General and administrative		625,113		291,872	916,985
Research and development		380,595		76,627	457,222
		1,005,708		368,499	1,374,207
(Loss) income from operations	\$	(1,005,708)	\$	326,216	\$ (679,492)

10. Related Party Transactions

- (a) For the three months ended June 30, 2021, the Company incurred expenses in the amount of \$45,938 (three months ended June 30, 2020 - \$43,750) and \$91,146 for the six months ended June 30, 2021 (six months ended June 30, 2020 - \$87,500) with a company controlled by an officer of the Company as fees for duties performed in managing operations, and this amount is included in research and development expense. As at June 30, 2021 \$81,703 was included in accounts payable and accrued liabilities (December 31, 2020 - \$116,375). These fees were incurred in the normal course of operations and in the opinion of management represent fair value for services rendered.

Acceleware Ltd.

Notes to Condensed Interim Financial Statements

June 30, 2021 and 2020

(in Canadian dollars)

10. Related Party Transactions (cont'd)

- (b) For the three months ended June 30, 2021, the Company incurred expenses in the amount of \$3,636 (three months ended June 30, 2020 - \$37,048) and \$20,057 for the six months ended June 30, 2021 (six months ended June 30, 2020 - \$48,418) with a company controlled by a director of the Company for legal fees, and this amount is included in general and administrative expense. As at June 30, 2021, \$1,255 was included in accounts payable and accrued liabilities (December 31, 2020 - \$17,630). These fees were incurred in the normal course of operations and in the opinion of management represent fair value for services rendered.
- (c) For the three months ended June 30, 2021, the Company incurred expenses in the amount of \$36,000 (three months ended June 30, 2020 - \$16,500) and \$82,000 for the six months ended June 30, 2021 (six months ended June 30, 2020 - \$32,800) with a company controlled by the spouse of an officer of the Company for management and other services, and this amount is included in general and administrative expense. As at June 30, 2021, \$12,600 was included in accounts payable and accrued liabilities (December 31, 2020 - \$8,400). These fees were incurred in the normal course of operations and in the opinion of management represent fair value for services rendered.
- (d) Key management includes the Company's directors and members of the executive management team. Compensation awarded to key management included:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Salaries and short-term employee benefits	\$ 280,346	\$ 221,538	\$ 582,389	\$ 434,159
Share-based payments	12,542	38,769	35,418	86,728
	\$ 292,888	\$ 260,307	\$ 617,807	\$ 520,887